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RUEHBJ/AMEMBASSY BEIJING 0523
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RUEHME/AMEMBASSY MEXICO 0087
RUEHMO/AMEMBASSY MOSCOW 0447
RUEHNE/AMEMBASSY NEW DELHI 0117
RUEHOT/AMEMBASSY OTTAWA 0709
RUEHSA/AMEMBASSY PRETORIA 0266
RUEHRH/AMEMBASSY RIYADH 0718
RUEHSM/AMEMBASSY STOCKHOLM 0233
RUEHTC/AMEMBASSY THE HAGUE 0910
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SIPDIS
SENSITIVE

STATE FOR EEB/IFD/OMA AND NEA/MAG

E.O. 12958: N/A
TAGS: [EFIN](#) [ETRD](#) [ECON](#) [MO](#)
SUBJECT: MOROCCAN MINISTER OF FINANCE AND G20 COMS
EMPHASIZE FREE TRADE IN ADVANCE OF LONDON MINISTERIAL AND
PITTSBURGH SUMMIT

REF: RABAT 0642 (NOTAL)

11. (SBU) Summary: On July 22, the Minister of Economy and Finance and the British Ambassador organized a working lunch for G-20 ambassadors and charges to discuss the impact of the world economic crisis on Morocco, as well as individual countries' and collective responses to the crisis. The Minister stressed that while some Moroccans would like to return to a closed economy, there would be no going back. He and several chiefs of mission warned of the dangers of protectionism and called for a successful conclusion of the Doha Round, with expanded market access, reduced subsidies and continued globalization. The Minister suggested that the IMF consider longer repayment periods. He emphasized that crisis management would not end the economic crisis; only renewed confidence and growing trade would resolve the world's economic problems. The Italian Ambassador highlighted the importance of reducing the cost of funds transfers. Several ambassadors and charges called for changes in IFI governance. End Summary.

12. (SBU) Minister of Economy and Finance Salaheddine Mezouar launched the discussion with an overview of Morocco's response to the global financial crisis and of the state of the Moroccan economy (reftel). Mezouar underscored the danger of protectionism. He urged all countries to continue their efforts to maintain and bolster confidence, asserting that is the only way to bring an end to the crisis.

13. (SBU) Turning to Morocco's current situation, he said Morocco continues its economic reforms and poverty reduction efforts. The Moroccan financial sector has not been affected. Moroccan exporters, however, have suffered, with the exception of the aeronautics industry. In response, the Government is providing direct aid to affected industries. In general, Morocco's economy looks healthy, with at least 5 percent growth, less than 2 percent inflation, and a budget deficit equivalent to less than 2.5 percent of the gross domestic product in 2009. Balance of payments issues are a

growing concern (reftel).

¶4. (SBU) Turning to the G-20 and international financial institutions, the Minister expressed concern about continued contraction in Europe in 2010 and about lower income countries' ability to repay the IMF. He opined that IMF loans with two years grace and three years repayment presume a quick return to robust economic growth. The G-20, IMF, World Bank and other regional development banks need to ensure sustained levels of assistance and investment if growth is to become a reality. Aid must not be a zero-sum game.

¶5. (SBU) For his part, British Ambassador Timothy Morris, who had been urging the GOM to meet with G20 chiefs of mission since before the London summit, focused on the summit's conclusions: assuring necessary resources, avoiding protectionism, enhancing surveillance and international cooperation, and addressing climate change. He noted that if the British economy continued to contract at the present rate, it would not even exist in ten years.

¶6. (U) Many other Chiefs of Mission commented on a wide range of financial issues. Although all G20 countries that have embassies in Rabat, i.e., all except Australia, plus the Netherlands, Spain, the World Bank and the European Union, participated in the luncheon, only the representatives of Argentina, Brazil, Canada, France, Germany, Italy, Japan, Mexico, Saudi Arabia, South Africa, South Korea, the Netherlands, Spain, the UK and the U.S. spoke.

¶7. (SBU) Key themes:

-- G-8 Initiatives: Italian Ambassador Umberto Lucchesi spoke of the G8's focus on Africa and on food security. Japanese Ambassador Haruko Hirose described her government's determination to double Japanese assistance to and investment in Africa between 2005 and 2012. She also focused on the importance of renewable energy. Canadian Ambassador Michelle Levesque described Canadian efforts to reduce taxes and create employment. She said that her government recognized that some sectors will not recover. Charge reported on U.S. commitments to provide capital to the international financial institutions and regional development banks, to increase development assistance and promote food security. Charge also noted that the USG is investing the equivalent of five percent of its GDP to combat the crisis.

-- Transfers and Remittances: The Italian Ambassador also highlighted the importance of reducing the costs of transferring funds internationally from 10 to 5 percent.

-- IFI Governance: Brazilian Ambassador Virgilio Moretzsohn de Andrade described G15 attitudes, emphasizing that the G15 was pleased that governance of the international financial institutions was being addressed for the first time. He said that the system for choosing the heads of the World Bank and IMF must change. Finally, he blamed the developed countries for causing the global crisis. Argentine Charge Pablo Pinheiro Aramburu also raised institutional reform and "justice." South Korean Ambassador Choi Jai-Chul stressed that emerging and developing countries must be heard. South African Charge Nithutang Martin Seleka called for more African involvement in making decisions that affect the continent. The Saudi Charge called for supervision of hedge funds and enhanced financial monitoring of the international financial system. Spanish Ambassador Luis Planas-Puchades, who privately told Charge how pleased Spain is to have been invited to the G20 Summit in Pittsburgh, called for greater international coordination. German Ambassador Ulf-Dieter Klemm said that credit agencies must improve their performance. Charge noted U.S. willingness to make the IMF and the World Bank more efficient and more representative.

-- Doha Round, Market Access and Protectionism: Pinheiro Aramburu was the first to discuss the importance of increasing market access and ending agricultural subsidies

through the Doha Round. The South Korean Ambassador underscored the importance of avoiding protectionism. Dutch Ambassador Jos Van Aggelen called for an open trading system, saying that globalization must continue. Ambassador Klemm reported that Germany had seen exports fall by up to 50 percent in some sectors; nonetheless, he said protectionism must be avoided.

-- Praise for Morocco: French Ambassador Jean-Francois Thibault praised Morocco's reforms and financial management and highlighted Renault's finalization of plans for a new manufacturing facility in Tangier. Charge also praised Morocco's reforms.

18. (SBU) The Minister of Finance concluded the discussion, declaring that a lack of regulation and management had led to the crisis; international financial institutions must indeed reform; and, asserting that moral responsibility is real, governments must acknowledge that budget deficits and high unemployment have consequences for other countries. He opined that transformation rather than crisis management is required. Noting that world trade has plummeted 12 percent, restructuring is the only way to ensure a return of confidence. Comparing commerce to oxygen, he said financial

injections alone cannot end the crisis. Focusing on Morocco's free trade agreements, Mezouar said the real benefits were from investment and from a change in domestic attitudes, i.e., an opening. He again underscored that Morocco would continue to implement reforms and exercise monetary vigilance.

19. (SBU) Moroccan Treasury Director Chorfi said that Morocco has attempted to adopt the best international economic and financial practices. It is an open, transparent country. He hoped that the G20 discussion could be a model for future donor coordination and transparency.

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